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Intellectual AMMUNITION

On State and Local Issues

Potshots

■ "Too bad all the people who know how to run the country are busy driving taxi cabs and cutting hair." — **George Burns**

■ "The income tax has made more liars out of the American people than golf balls." — **Will Rogers**

■ "He who slings mud generally loses ground." — **Adlai Stevenson**

■ "The secret of success is to keep the five guys who hate you away from the five guys who haven't made up their minds." — **Casey Stengel**

■ "When eating an elephant, take one bite at a time." — **Gen. Creghton Abrams**

■ "If you want to catch a trout, don't fish in a herring barrel." — **Ann Landers**

■ "The only place where success comes before work is in a dictionary." — **Vidal Sassoon**

■ "Between two evils, I always pick the one I never tried before." — **Mae West**

■ "A committee is a group of men who keep minutes and waste hours." — **Milton Berle**

■ "Nobody will ever win the battle of the sexes. There's just too much fraternizing with the enemy." — **Henry Kissinger**

■ What do you get when you play rap music backwards? *Rap music.*

Five Myths About Privatization

Privatization — transferring responsibility for producing "public" services to the private sector — is sweeping the nation. One recent national survey found over 90 percent of state and local officials plan to engage in some form of privatization in the next two years. The number of such privatized services now exceeds 100 — ranging from janitorial services to complete management of an entire city. In surveys conducted in 1989 and 1990 by several analysts, fully 100 percent of respondents reported to have achieved financial savings through privatization.

Despite these successes, myths concerning privatization are still widely accepted. Here are responses to five such myths.

❶ **Corruption.** Bribery, political influence, and "sweetheart deals" can infect the process of contracting out public services. But these pitfalls are no less a problem within the public sector. The difference is that competitive contracting creates a mechanism for rooting out corruption: Bidding can take place in open, competitive environments; once contracts are let, performance can be compared to the terms of contracts, which can be regularly re-bid.

❷ **Hostage-Taking.** What if government loses the ability to produce a product or service it has contracted or completely transferred to a private firm? Can the private firm hold taxpayers hostage and demand steeply increased fees? This can occur only in the unlikely case where other potential contractors do not exist. An analysis of 37 services contracted by cities and counties in Florida found an average of 45 different contractors standing in line to bid for the right to produce each service. With the growth of privatization nationwide, few communities now lack a choice among bidders.

❸ **Strikes.** "It's illegal for public sector unions to strike, but not private contractors." This may have been true once upon a time, but it is certainly not the case today. Economist E.S. Savas in 1991 found that the threat of strikes by private firms is no greater than the threat by public unions. The presence of many firms — often including the original public agency — willing to step in and provide a contracted

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Intellectual
AMMUNITION

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service dramatically diminishes the threat of strikes by both private and public sector unions.

❹ **Low-Ball Bids.** Do some private firms offer unrealistically low bids and then demand more money later to complete the job? Sure, but (a) well-written contracts can prevent or heavily penalize such behavior, (b) contracts often can be re-bid to another contractor, and (c) at worst, a firm will get away with this tactic only once, and then be excluded from bidding successfully for future contracts.

❺ **Union Opposition.** Contrary to concerns expressed by public employee unions, competitive contracting does not result in significant unemployment for government employees. A 1989 study of 2,213 government employees affected by competitive contracting found that 58 percent were hired by the private contractor, 24 percent were placed in other government positions, 7 percent retired, and only 7 percent were laid off. An extensive study of privatization in California found that private contractors paid wages comparable to those of public agencies.

# # #

Based on Revitalizing the American City: A Market Perspective for Detroit, *by Michael Mills, Charles D. Van Eaton, and Robert Daddow. (September 1992, 67 pages, available for $20 from The Heartland Institute, 634 South Wabash, Second Floor, Chicago, IL 60605, phone 312/427-3060.)*

Publisher's Note

Gosh!

We've been overwhelmed by the favorable response to the September issue of *Intellectual Ammunition*, the first to be sent to all 8,000 governors, state legislators, and state constitutional officers nationwide. Our fax machine is in danger of burning out, thanks to the stream of "fax ballots" readers have been sending in.

(Our apologies to those of you who called the number printed on the "fax ballot," only to discover it wasn't our fax number at all. The correct fax number is 312/427-4642.)

Your advice and suggestions have been warmly received and are being put to use already in this issue. The feature article on privatization and improved appearance of the charts and graphs are just two of almost a dozen changes you'll find in this issue.

Several readers expressed appreciation for our emphasis on finding ways to make government less expensive and more accountable to voters . . . an emphasis they said was conspicuously absent from other magazines aimed at state legislators. To those readers we say: *You bet!* It's high time there was a magazine that sided with taxpayers instead of tax spenders. We will remain true to that editorial philosophy.

To help us do so, we are pleased to have as Contributing Editors some of the country's leading experts on education, the environment, family policy, health care, philanthropy, privatization, taxes, and welfare. Their analysis of and commentary on current events appear on pages 4 through 14.

Some readers, unfortunately, thought we engaged in too much "government bashing" and "conservative philosophizing." To these readers we apologize for appearing to be one-sided on such things. But we are compensating for at least three other magazines that somehow never find room to devote even a paragraph or two to the wealth of free-market research and commentary on state and local public policy that is now available. Until their editorial philosophies change, we feel pretty good about ours.

Joseph L. Bast
Publisher

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Teaching Real Self-Esteem

By Dr. George C. Roche III

A recent "CBS Evening News" program described a new curriculum being used in a Bronx, New York, elementary school. Developed by E.D. Hirsch, author of the best-selling *Cultural Literacy: What Every American Needs to Know*, the curriculum represents a departure from conventional teaching methods. And it's having an effect not only on how students learn but on how they think — even on how they think about themselves.

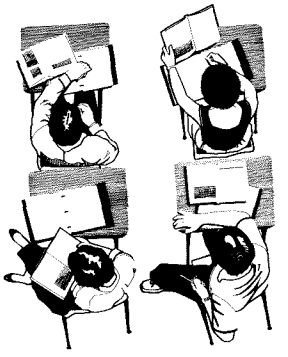
Most public schools focus on *skills*, the understanding of basic concepts. But many students fail to master these basics because of a flawed approach to teaching them. Schools tend more and more to teach generalities — what Hirsch calls "vague guidelines." And they rarely give students much *content* with which to exercise their skills and develop the ability to *think*.

The new curriculum, on the other hand, stresses real people and concrete situations. Whether the subject is math, reading, social studies, or any other subject, students discuss tangible realities.

The curriculum also uses literary classics, scaled to students' ages and grade levels, rather than conventional reading manuals — in other words, *Charlotte's Web* over "Run, Spot, run."

The result? Principal Jeffrey Litt notes that P.S. 67 has seen improvements in overall learning, as well as decreased disciplinary problems and truancy. "Many kids were bored in school," Litt said. "We're exciting [these] children."

The teachers apparently have caught some of that excitement themselves. One observed that she



The way to build real self-esteem is to expose students to the world outside of their own block, away from the poverty.

feels "like a beginning teacher all over again. I have enthusiasm because I'm teaching *good stuff*." Another noted how the curriculum reveals that "younger children can learn a lot more than I sometimes expected from them."

But if the value of what's called "teaching *knowledge*" seems obvious, the curriculum has its critics. Their objection? P.S. 67 is located in a poor section of the Bronx, and 99 percent of its students are minorities. So reading the classics or learning about Michelangelo and Rembrandt can't possibly be relevant to their lives. As one education "expert" from Columbia Teachers College explained, "If your . . . life experience doesn't seem to connect at all to what you're getting at school, then it's going to be very hard for you to have self-esteem."

Hmmmmmmmm...

This is the demand for what's called "multi-culturalism," the idea that education must reflect the environment and background of the student. It is an idea being advanced by education theorists, and it's gaining adherents in school districts and teacher education departments all over the country.

Now, it is true that the Hirsch curriculum is heavy on what might be called "mainstream" cultural content — content that probably reflects very little of what students at P.S. 67 see in their neighborhood every day. It's also true that the curriculum was developed at a school in an affluent Florida neighborhood before being adopted at P.S. 67. But the very success of the approach in both schools illustrates the breadth of its applicability. If middle-class kids in Florida *and* poor kids in the Bronx are being turned on to learning, somebody must be doing something right.

Principal Litt — who is himself black — calls the new curriculum "The Great Equalizer." He sees giving students substantial material to work with as a way of challenging them, rather than writing them off as poor kids who are too dumb to learn.

"What we're doing is we're exposing children to a whole world," he said. "We're getting children off [their own] block, away from the poverty, where they can go out and they can compete."

That's the way to build *real* self-esteem.

# # #

Dr. George Roche is President of Hillsdale College, an independent liberal arts college.

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Organizations

League of *Partisan* Voters

In his effort to line up opposition to the proposed balanced budget amendment, Senator Robert C. Byrd (West Virginia) reportedly visited "some of the most powerful constituency groups in Washington." One of these was the League of Women Voters.

Though its own literature acknowledges "We are political," the 501(c)(4) League of Women Voters, founded in 1920 and probably best-known for its sponsorship of debates among presidential candidates, is widely viewed as non-ideological, with no agenda other than good government.

In reality, the League is an effective political advocate whose "strictly nonpartisan" positions on issues ranging from abortion to the environment closely parallel those of the Democratic Party.

■ The League has been a principal sponsor of so-called "motor voter" legislation that would allow people to register to vote when applying for a drivers license, unemployment benefits, and welfare. Opponents argued that the measure was designed to help elect Democratic incumbents; but when President Bush vetoed it early in July the League denounced the veto as "a terrible gift from the president for our nation's birthday." LWV also supports campaign finance reform that includes spending caps and taxpayer funding of elections — reforms widely recognized as favoring incumbent politicians.

■ In addition to opposing the balanced budget amendment, the League has been a strong supporter of federalized child care and is developing a position on health care "beyond the incremental reforms" now being considered. It also supported the 1990 Civil Rights Act, which President Bush vetoed because it would establish quotas.

■ LWV consistently has advocated increased environmental regulation and has criticized the Clean Air Act for not going far enough. It supports more tax dollars for Superfund, increased EPA regulation of chemicals in drinking water, and greater acid rain and toxic air pollutant controls.

> **The League of Women Voters is an effective political advocate whose "strictly nonpartisan" positions on issues closely parallel those of the Democratic Party.**

■ The League supports abortion on demand, a "constitutional right of privacy of the individual to make reproductive choices," and the so-called Freedom of Choice Act, which would prohibit states from enacting such modest restrictions as parental notification and 24-hour waiting periods.

■ It advocates "strong federal measures to limit the accessibility and regulate ownership of [handguns] by private citizens" and supports statehood for the District of Columbia.

■ LWV favors an "equitable tax system that is progressive overall and that relies on a broad-based income tax" and a "federal role in providing mandatory, universal, old-age, survivors, disability, and health insurance."

■ In the areas of defense and foreign affairs, the League opposes funding for the Strategic Defense Initiative and in the 1980s was an integral component of the arms control lobby. It urged members to lobby Congress to "Oppose any aid to the contras, in *any* form — lethal or nonlethal — in *any* amount, in *any* legislative vehicle."

Susan S. Lederman is president of LWV's board of directors, and Gracia Hillman is executive director. Hillman, previously with the Council on Foundations, worked in 1988 on the presidential campaign of then-Massachusetts governor Michael Dukakis.

The League of Women Voters Education Fund, a 501(c)(3) affiliate founded in 1957, reflects the League's overall philosophy, having "found a growing consensus that both the public and private sectors must do more but that the ultimate responsibility for meeting basic human needs in this country is a public responsibility."

For the year ending June 1991, the League enjoyed total support and revenue of $2,733,498. The total for the Education Fund was only slightly less: $2,651,515.

In 1990, donors to the League of Women Voters or its Education Fund included, among others, the W.K. Kellog, Deer Creek, Ford, and Morton and Sophia Macht foundations, as well as the U.S. Department of Labor and Environmental Protection Agency.

Information on this page was provided by Robert V. Pambianco, editor of *Organization Trends*, a monthly publication of the Capital Research Center. For more information, contact the Capital Research Center, 1612 K Street NW, Suite 704, Washington, DC 20006, phone 202/822-8666, fax 202/785-5634.

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Focus on:

EDUCATION

Bang for the Buck

How's this for an inverse relationship? Students are performing better in states where teachers' salaries are near the bottom of the scale and worse where the teachers are at the top of the scale.

The American Federation of Teachers just released its tabulation of average salaries. Teachers in six states now earn average salaries over $40,000. Connecticut is the highest at more than $47,000. However, of these six states only Michigan ranks in the upper half of all the states in SAT scores, placing 20th. The others, along with their SAT placement, are: California (28), Alaska (29), Connecticut (33), New Jersey (41), New York (43).

At the other end of the scale are seven states whose teachers average less than $27,000 a year, with South Dakota the lowest at just under $23,300. Remarkably, all seven have SAT scores that place them in the upper half among all states. SAT scores and ranks are as follows: North Dakota (2), South Dakota (3), Utah (5), Mississippi (13), New Mexico (15), Louisiana (16), Alabama (18).

Rocky Mountain High

On November 3 the citizens of Colorado will have the opportunity to amend their constitution to provide educational choice to elementary and secondary students. Under the plan students could receive a voucher for at least 50 percent ($2000-$2500) of their present district expenditure. At the beginning of September the initiative was enjoying a ten-point lead in the polls.

One exciting endorsement comes from Kevin Irvine, 1991 Colorado Teacher of the Year and Chairman of Public School Teachers for Educational Freedom. He recently urged his Colorado colleagues to support the amendment. "Its purpose is to advance the idea of consumer sovereignty for parents *and* for ourselves as professionals whose skills will be recognized and rewarded in a free market environment."

While the students of Colorado would be the first in the U.S. to enjoy the empowerment of a 50-percent plan, it is interesting to note that students in the young democracy of Poland have enjoyed such a plan for years. The Polish government approved the plan to promote educational diversity and challenge an entrenched and hibernating public educational bureaucracy. In the first year of the Polish program 250 new schools opened.

For more information on the Colorado proposal contact Mr. Irvine at 720 Boltz Drive, Ft. Collins, CO 80525, (303) 623-1496.

Charter Schools for Detroit?

Bob Wittmann, President of TEACH Michigan, reports that the Detroit School Board is negotiating with the Detroit Federation of Teachers to liberalize work rules at schools as part of a larger plan to empower teachers and principals to directly manage their schools. Empowered schools would control 92 percent of the per-student funding allocation. Teachers and principals also would be free to create new schools under the charter plan.

Charter schools, in most cases, would be schools-of-choice. Intent on creating "private school conditions in public schools," the Board hopes that radical autonomy also will encourage private schools to seek charters.

Affluence and SAT Scores

	Average test scores	
Family Income	Verbal	Math
$70,000 or more	470	530
$60,000 to $70,000	449	501
$50,000 to $60,000	440	492
$40,000 to $50,000	430	480
$30,000 to $40,000	418	467
$20,000 to $30,000	403	453
$10,000 to $20,000	378	434
Less than $10,000	352	415

SAT Scores and Family Income

SAT verbal scores rose a point over last year's record low according to the College Board, the test's sponsor. Math scores rose two points after a drop of two points in 1991.

Several researchers find family socio-economic status to be one of the more accurate predictors of educational achievement. The above table, also from The College Board, is strong evidence of that correlation.

Thomas Hetland, FSC is the Executive Director of the Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, the Center for Rebuilding America's Schools, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3156, fax 312/427-4642.

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CONFUSED?

Congress is considering many health care reform proposals that are basically divided into three categories. Those categories are: Private (market-based reforms), Mandated Employer Coverage, and Government-Sponsored National Health Insurance. Below is a comparison of the major health care reform proposals.

	PRIVATE		MANDATED EMPLOYER		NATIONAL HEALTH INSURANCE	
	MEDICAL CARE SAVINGS ACCOUNT	**Senator John Chaffee**	**Senator George Mitchell "Play or Pay"**	**Representative Dan Rostenkowski**	**Representative Marty Russo**	**Senator Bob Kerrey**
New taxes	*None*	*$150 billion over 5 years*	*$6 billion first year*	*$80 billion first year*	*Taxes Increased Personal: 9%-23% Corporate: 11.8%*	*$246 billion first year*
Major source of funds	*Current health insurance premiums*	*Not specified*	*Payroll tax*	*9% income surtax; Increased Medicare payroll tax; Increased Medicare tax wage base to $200,000*	*6% payroll tax $57/mo. health & LTC premium Increased taxes on personal, corporate Social Security Income*	*5% payroll tax; Excise taxes; Increased taxes on personal, corporate, Social Security Income*
Deductibles	*None*	*Not specified*	*Individual $250 Family $500*	*Individual $250 Family $500*	*None*	*Individual $100 Family over 2 $300*
Copayment (What you pay)	*None*	*Not specified*	*Acute 20%*	*Acute 20%*	*None*	*Acute 20% Physician visit $5 illness LTC 80% of Social Security benefits*
Cap on personal out-of-pocket expenses	*$3000* (Paid for you out of Medical Care Savings Account)	*Not specified*	*$3000*	*Individual $2500 Family $3000*	*Not applicable*	*Individual $1000 Family/2 $1500 Family/3 or more $2000*
Outpatient drugs	*Yes*	*No*	*No*	*No*	*Yes*	*Yes*

Based in part on information published by AARP, Bulletin Vol. 33, #1, January 1992 and Health Benefits Letter, November 29, 1991.

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No new taxes are needed to pay for our plan. With MEDICAL CARE SAVINGS ACCOUNTS, you get ⅔ of the money your employer is now spending on health insurance. You pay for the routine care with this money and you keep what you don't spend in your MEDICAL CARE SAVINGS ACCOUNT.

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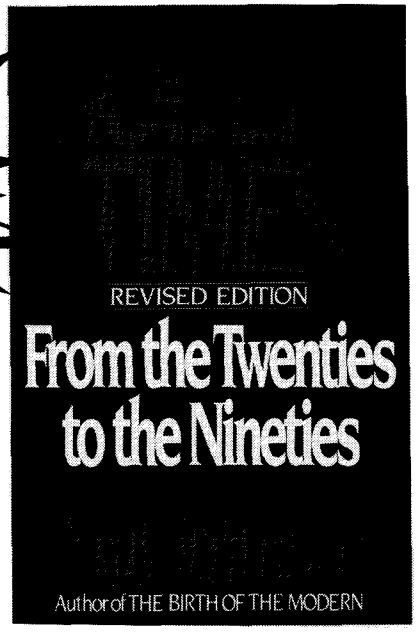

Paul Johnson rescues the 1980s from the liberals

Ronald Reagan was barely out of the office before the liberals got busy. The 80s are now remembered, not as the longest period of growth in our nation's history, but as the sleazy "Decade of Greed."

Enter historian Johnson. In a brand new final section that could stand alone as a small book, he puts the 80s into perspective:

- Two conservatives dominate the decade. How Reagan and Thatcher managed the impossible feat in a liberal world
- Evangelical Christianity, often pronounced dead, revives and takes on liberalism
- Desert Storm: success or failure?
- Militant homosexuals: how far will they go?
- The real secrets of the Japanese comeback
- Brave new world? The major threat in American life today — and tomorrow

Reviewers raved over the earlier edition — because it's the history they ENJOYED reading

"Wide-ranging and quirky . . . A latter-day Mencken, Johnson is witty, gritty and compulsively readable."—*Foreign Affairs*

"Remarkable . . . powerful, lively, compelling and provocative."—*Times Literary Supplement* (London)

"Extraordinary."—*American Spectator*

"Marvelously incisive and synthesizing."—*Commentary*

"His central themes are the bankruptcy of moral relativism, social engineering, and totalitarian regimes . . . a fascinating book. Johnson's range is vast, his citations are impressive, and he has a knack for the apposite quotation."—*Library Journal*

"A truly distinguished work of history."—Robert Nisbet, *New York Times*

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★ ★ ★

Focus on:

ENVIRONMENT

Paper or Plastic?

According to the Plastic Bag Association, plastic grocery bags take up one-seventh the space of an equal number of paper bags. If burned in an incinerator, plastic bags release no toxic fumes; they give off only carbon dioxide and water vapor. Furthermore, the research firm Franklin Associates determined that the manufacture of plastic bags consumes 20 to 40 percent less energy than the manufacture of paper bags.

Wealthier is Healthier

Several studies suggest that "death by regulation" is often a greater risk than the regulated activity itself. It has been estimated that for every loss of per-capita income of between $3 million and $8 million, there will be one additional premature death. Current estimates place the annual regulatory burden on the economy as high as $500 billion. Federal regulations could be responsible for between 62,500 and 166,000 premature deaths each year.

Environmental regulations alone impose over $120 billion in compliance costs on the economy annually. After giving itself every benefit of every doubt, EPA still admits the compliance costs of *one* such regulation work out to an estimated $5.7 *trillion* for every premature death averted.

Good Reading

The Science and Environmental Policy Project (SEPP) has produced an excellent review of the Intergovernmental Panel of Climate Change (IPCC) report. The IPCC report has been portrayed in the press as presenting a "consensus" of the world's scientists that global warming is likely and certain to be disastrous. The SEPP analysis demonstrates that this is not the case.

For a copy of the 140-page SEPP analysis, entitled "The Greenhouse Debate Continued," send $25 to SEPP, 2101 Wilson Boulevard, Suite 1003, Arlington, VA 22201.

Game Ranching: Before It's Too Late

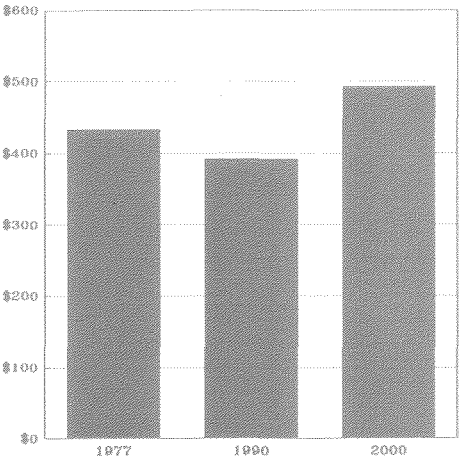
The worst thing a state legislator could do for wildlife conservation would be to regulate game ranching out of business. Yet that is exactly what they're doing in Washington, Wyoming, Montana, Oregon, and California.

Game ranching is sustainable-use conservation in practice. By combining property rights in wildlife with economic incentives to breed wildlife, conservation is achieved. This is in stark contrast to the anti-use preservationism enshrined in U.S. wildlife protection laws and promoted by preservation groups.

Consider the Exotic Wildlife Association. Its members own roughly 200,000 head of non-native hoofed animals, representing 125 different species — twenty or so of which are endangered. Several of these species are more numerous and healthier on U.S. game ranches than those on their native ranges.

For further information, contact the Exotic Wildlife Association, Ingram, Texas; phone 512/367-4997.

Annual Cost of Federal Regulations
(in billions of 1988 dollars)



"The Costs of Regulation (continued)," Regulation, Cato Institute, Spring 1992.

Smog Fraud

Yet again, EPA seems to have placed bureaucratic goals ahead of environmental ones. According to a Cato Institute report, EPA delayed releasing key data that indicate few cities exceed federal ozone standards. By withholding the data, EPA has perpetuated the "smog crisis" myth. As a result, Clean Air Act regulations are more expensive and far less flexible than necessary.

The summer of 1988 was unusually warm, resulting in widespread smog problems. Summers since then have been more normal, and ozone levels have fallen. While southern California and a few other urban areas still exceed standards frequently, most other areas do not have noticeable smog problems. It's time for the EPA to come clean.

For further information, contact Jerry Taylor at the Cato Institute; phone 202/546-0200.

CEI

Information on this page was provided by Kent Jeffreys, director of environmental studies at the Competitive Enterprise Institute, 233 Pennsylvania Avenue SE, Suite 200, Washington, DC 20003, phone 202/547-1010, fax 202/546-7757.

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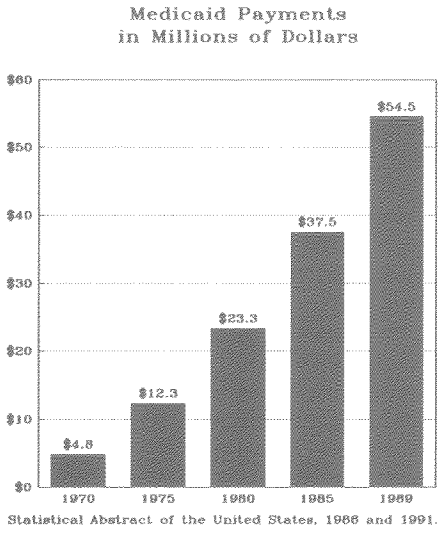
Focus on:

FAMILIES

Babies at Risk

Unmarried pregnant women bear at-risk babies more often and depend more often upon Medicaid than married pregnant women. In a recent study, health officials in Illinois compared babies born to mothers receiving Medicaid to babies born to mothers not on Medicaid. Sixty-seven percent of mothers receiving Medicaid were unmarried, compared to only 12 percent of mothers not receiving Medicaid. Unmarried mothers also were significantly more likely to bear vulnerable low birthweight infants than married mothers.



Statistical Abstract of the United States, 1988 and 1991.

Source: "Comparing Medicaid Mothers and Babies to Non-Medicaid Recipients," *Health Values 16* (1992).

More Problems

Children living in stepfamilies with divorced mothers cause more problems at home and at school than children living with both parents. In a 26-month study, children in intact families were "consistently more scholastically and socially responsible, and demonstrated fewer behavior problems than children in either restabilized, single-mother families or stepfamilies." The effects did not appear short-lived, since "children from divorced single-mother homes were still demonstrating difficulties in adjustment, both at home and at school, 4-6 years after the divorce."

Source: *Coping with Marital Transitions: A Family Systems Perspective*, Monographs of Society for Research in Child Development 57 (1992): Serial No. 227.

Killing Their Husbands

Wives kill their husbands nearly as often as husbands kill their wives in the United States — but not in any other industrialized nation.

Why do American husbands die at the hands of their wives so often in the United States? Researchers find a partial explanation in the prevalence in the United States of couples living together in cohabitation, in "common law" or "de facto" unions, without legal marriage.

Such couples typically have no children of their own, but often have children from the women's previous marriage. "Stepparents are much more often hostile and assaultive toward their wards than are natural parents, and defense of the children appears to be a common motive in cases of wives killing husbands."

Source: "Who Kills Whom in Spouse Killings? On the Exceptional Sex Ratio of Spousal Homicides in the United States," *Criminology 30* (1992): 189-210.

Second and Third Failures

Americans will see an unprecedented number of second and third divorces in the years ahead. "By the year 1999 (24 years after the peak [divorce rate] year of 1975), there will be a virtual flood of second and third divorces even if the rate of first divorces goes no higher or even declines. Thus, it seems unlikely that the divorce rate will decline and, in fact, may go even higher during the next 20 years because of the increasing contribution of second and third divorces to the overall divorce rate."

Source: "Second and Third Divorces: The Flood to Come," *Journal of Divorce and Remarriage* 17 (1991): 193-201.

Stressed Teens

Adolescents in stepfamilies and single-parent households often fall victim to stress. Compared to students in intact families, "children in step- and single-parent households tend to experience more life stresses and less supportive, more troubled relationships." Teens in intact families generally suffer from fewer "strained or conflictual family relationships" while enjoying higher levels of "parental affection and support."

Source: "Social Structure, Life Stress and Depressive Symptoms in a High School-Aged Population," *Journal of Health and Social Behavior 33* (1992): 97-113.

THE ROCKFORD INSTITUTE

Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

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Focus on:

HEALTH CARE

Oregon Experiment Put on Hold

In August, the Health Care Financing Administration denied the State of Oregon's request to implement its controversial plan to ration health services to persons covered by Medicaid. The plan would have allowed the state to extend Medicaid coverage to more people by eliminating coverage for expensive procedures and therapies. The required waiver was denied after the Justice Department ruled it would violate the new Americans with Disabilities Act.

Demand for subsidized health care is virtually limitless, and thus some kind of rationing must take place. The Oregon plan would make rationing decisions explicit and "rational" by ranking medical conditions according to the cost of treatment and how much it could accomplish. Life-threatening conditions that are inexpensive to treat would have been funded, while expensive treatments unlikely to save life — such as treatment for the terminal stage of AIDS or saving infants weighing less than 18 ounces at birth — would not be covered.

Because the value we each place on health care is *subjective*, a single ranking will never conform to the wishes of individuals making their own, unsubsidized, choices. Controversy is therefore inevitable.

See Lynn Wagner, "Health-care initiatives suffer setback," *City and State*, Crain Communications, Inc., August 24, 1992.

Colorado Considers Single Payor Plan

The Colorado Coalition for Health Care Access is circulating a proposal under which state government would pay all health care bills submitted by a small number of private insurance companies competing to offer plans conforming to price and coverage requirements set by the state. The plan, a combination of single payor and "managed competition," would be paid for by a 7 percent payroll tax capped at approximately $125 per month per employee, a 2 percent gross income tax capped at about $50 per month, and various tax increases.

The plan has many shortcomings. Its cost is likely to far exceed preliminary estimates. Promised "economies of scale" are likely to be illusory, consumed by a new bureaucracy and perverse incentives. Competition in the insurance marketplace will be weakened, not strengthened, by limiting the number of insurers who can enter the market and regulating their products heavily. Employers fear that employees will demand coverage beyond that provided by the state, and they are concerned that the new payroll taxes require them to bear a much greater share of the cost of insuring the state's population.

Contact the Colorado Department of Insurance at 303/894-7490.

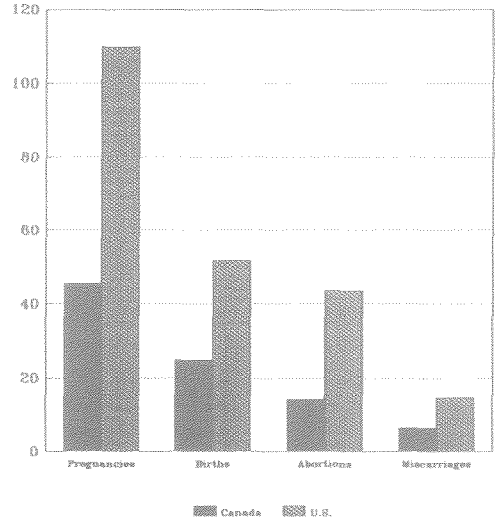
Political Parties Define Positions

The Democrats and Republicans have adopted positions on health care that differ sharply — except that both are incomplete.

Missing from the Democrats' plan are assurances that the program will avoid long queues, rationing, deferred maintenance, and slowed technological advance that plague Canada and other nations with national health insurance; and that spending won't soon reach unaffordable heights.

The Republicans' plan lacks a provision, such as medical savings accounts, to discourage over-use of medical services by insureds and price gouging by providers; its small group reforms will encourage some people to wait until they are sick before applying for insurance; and promised savings in Medicaid and Medicare spending (to offset the cost of tax credits and vouchers) are vague and unlikely to be realized.

Teenage Fertility and Natality
Canada vs. United States
(rate per 1000 15–19 year olds)



Family Planning Perspective, March–April 1988; cited in Backgrounder No. 4, The James Madison Institute, 1992.

THE HEARTLAND INSTITUTE

Information on this page was provided by Joseph L. Bast, president of The Heartland Institute. For more information, contact The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois, 60605, phone 312/427-3060, fax 312/427-4642.

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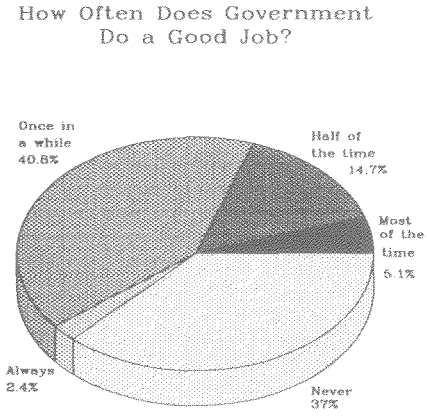
Focus on:

PRIVATIZATION

World Bank Study

An in-depth report released by the World Bank offers persuasive empirical evidence of the benefits of privatization — specifically, the sale of state-run enterprises. The study, *The Welfare Consequences of Selling Public Enterprises: Case Studies from Chile, Malaysia, Mexico and the U.K.*, was released at a Washington conference in June, and presented strong evidence that privatization works as well in practice as it does in theory.



Illinois Libertarian, August 1992. Survey of 1,232 persons taken between July 22 and July 28, 1992.

Twelve instances of divestiture of state-owned assets in four countries were studied. The sales all took place between 1984 and 1988 and included four airlines, three telecommunications firms, two electric companies, a trucking company, a container port, and a lottery business. An exhaustive economic analysis was conducted for each. In 11 of the 12 cases, the report found the net world welfare change to be positive, adding that "the magnitude of the gains was substantial."

The Reason Foundation estimates that state and local governments in the United States own over $220 billion in potentially profit-making enterprises.

EPA Moves Ahead on Executive Order

The EPA took an important step towards implementing the President's Executive Order on Infrastructure Privatization on July 29, when it sponsored a public meeting on "Private Investment in Municipal Wastewater Treatment Facilities."

Attended by 125 representatives from municipalities, industry, and environmental groups, the meeting was designed to address policy issues raised in implementing the order.

The EPA, which is accepting written comments to its June 29 *Federal Register* Notice on the order, plans to conduct regulatory negotiations with interested parties to determine what statutory changes and policy guidance it needs to make in order to facilitate privatization. The EPA is also interested in developing a pilot program.

Survey Shows Support for School Choice, Study Shows Fiscal Benefit

A new survey of parents in the Los Angeles United School District showed that 52 percent would take advantage of a $2,600 voucher to send their children to private schools. Support for choice was even higher among minorities, and almost 70 percent of African-American parents indicated they would use such a voucher.

The survey, conducted by the polling firm Arnold Steinberg and Associates, was commissioned by the Reason Foundation. Reason has released an analysis estimating that California taxpayers could save over $3 billion a year on education costs if it adopted a voucher plan and participation levels were as indicated by the survey.

Private Tollways Increase Worldwide

While state governments in the United States have approached highway privatization with caution, governments around the world are taking major new steps toward using the private sector in Build-Operate-Transfer (BOT) new-highway projects — and in a few cases, selling existing highways to private firms.

As part of a program to upgrade its highway capacity, Greece plans $1.9 billion of BOT projects to add bypasses, tunnels, and bridges in the Athens area; many will involve access to the planned BOT airport. One of the largest projects will be a $428 million crossing of the Gulf of Corinth.

Australia's first BOT tollway, the F4 in Sydney, opened in May, nine months ahead of schedule. The Sydney Harbor Tunnel and the F5 tollway are expected to be completed before the end of the year.

Reason Foundation

Information on this page was provided by John O'Leary and William Eggers of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

Privatization Hotline 310/391-6525.

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Focus on:

TAXES

U.S. Tax Index at Record High
The U.S. Tax Index climbed to a new high of 185.0 in the second quarter of 1992 (1982 = 100), representing a total tax bill 85 percent greater than the amount collected in 1982. During the first half of this year, federal, state, and local taxes were collected at a rate that would total a record $1.781 trillion if continued for the remainder of the year.

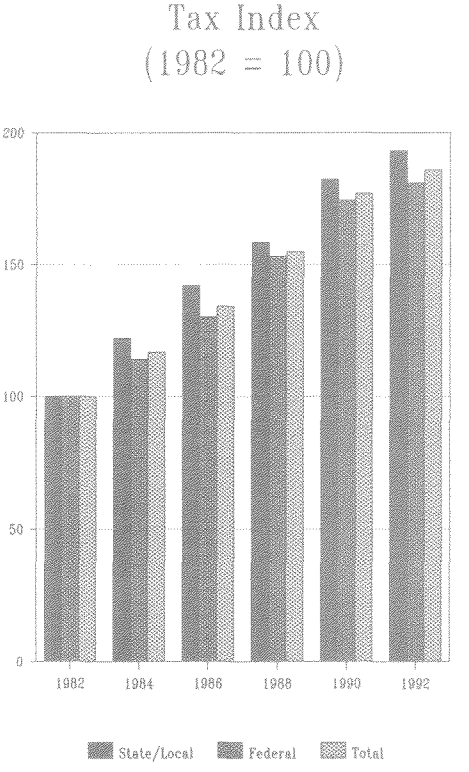
The Tax Index is a fiscal yardstick designed by Tax Foundation economists to provide a continuing current measure of trends in taxes at the federal, state, and local levels. Over the past decade, the state/local tax index (now at 193.2) shows that state tax increases have continued to outpace federal tax growth, with an index now at 180.8.

Because of continued weak economic growth, the bulk of recent tax revenue growth is actually the result of legislated tax increases at both the federal and state levels. The Omnibus Budget Reconciliation Act passed by the President and Congress on November 5, 1990, increased federal taxes by $164 billion over five years. States have collectively legislated $35.3 billion in tax increases since 1990.

Tax Growth Outpaces Economy
Tax increases, mirrored in the average 6.4 percent annual increases in the total Tax Index over the past decade, have outpaced the 2.5 percent annual growth in personal income, the 3.9 annual average growth in the Consumer Price Index, and Gross Domestic Product (GDP), which grew an average of 2.7 percent annually during this same period. Thus, total taxes have risen faster than individuals' incomes, inflation, and the economy as a whole.

Corporate Taxes Rise Fastest
Examination of the Tax Index since the trough of the previous recession (fourth quarter 1982) reveals that corporate profit taxes increased 126.1 percent by 1992 — far outpacing the growth in all other sources of tax revenues. Other significant increases for this period are seen in Social Security taxes, up 103.4 percent; personal property and estate taxes, up 97.5 percent; and sales and indirect business taxes (excises, customs, and real property taxes), up 93.5 percent. While the federal government saw the fastest growth rate in tax revenues from corporations, state/local governments witnessed the sharpest growth in their personal income tax levies.

Proposition 13 Upheld. The U.S. Supreme Court recently upheld California's Propostion 13 property tax limitation. The measure requires that property owners not be taxed more than 1 percent of the assessed value of their homes as of tax year 1975-76; for homes that have changed hands since then, the 1 percent limit applies to the assessed value of the home at the time of sale. The measure was challenged on the basis that it discriminated against recent homebuyers. Among other reasons, the Court ruled that Proposition 13 serves an important purpose by protecting homeowners from rising taxes based on the appreciation of their homes.
Scott Pattison, "Consumer Alert," Consumers' Research, Consumers' Research Inc., August 1992.



Information on this page was provided by William Ahern, director of public information at the Tax Foundation. For more information, contact the Tax Foundation, 470 L'Enfant Plaza SW, Suite 7400, Washington, DC 20024, phone 202/863-5454, fax 202/488-8282.

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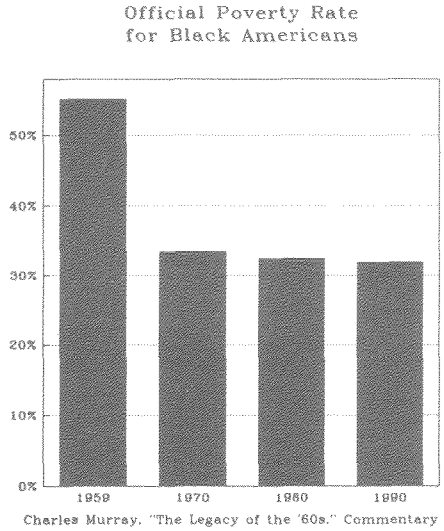
Focus on:

WELFARE

Link Between Crime and Welfare

Addressing The Heritage Foundation on July 29, the Honorable William P. Barr, Attorney General of the United States, reiterated his position that the country's welfare policies were closely linked to the problems of the inner city. "The policies of the past 25 years have contributed directly to the breakdown of the family, particularly in the inner cities. Before the Los Angeles riots I said on the David Brinkley show that we were witnessing in inner-city crime the grim harvest of the Great Society. Senator Moynihan said that this was the most depraved statement he had ever heard from anybody. I stand by what I said."



Charles Murray, "The Legacy of the '60s," Commentary July 1992.

William P. Barr, "Crime, Poverty, and the Family," *The Heritage Lectures #401*, The Heritage Foundation, July 29, 1992.

Material vs. Behavioral Poverty

There is little material poverty — malnourishment, inadequate clothing, inadequate housing — in the United States today. But *behavioral poverty* is abundant and growing. Behavioral poverty refers to a breakdown in the values and conduct that lead to the formation of healthy families, stable personalities, and self-sufficiency. Behavioral poverty is a cluster of social pathologies including dependency and an eroded work ethic, lack of educational aspiration and achievement, inability or unwillingness to control one's children, single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse.

Programs Aimed At Material Poverty Worsen Behavioral Poverty

The key dilemma of the welfare state is that the prolific spending intended to alleviate material poverty — $215 billion in 1990 alone, and $3.4 trillion since 1964 — has led to a dramatic increase in behavioral poverty. The War on Poverty may have raised the material standard of living of poor Americans, but at a cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government.

Welfare and Illegitimacy

Generous welfare benefits to single mothers directly contributed to the rise in illegitimate births between 1965 and 1989. Recent work by researchers at the University of Washington shows that an increase of roughly $200 per month in welfare benefits per family correlates with a 150 percent increase in the teenage illegitimate birth rate for a state. Similarly, research by Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state corresponds with a decrease in the marriage rate of all single mothers in the state by 8 percent.

Cruel Economics

The solution is not quite so easy as changing welfare recipients' incentives by "making work pay." The average welfare mother receives approximately $11,000 per year in welfare benefits plus Medicaid. She would need to obtain a job with medical coverage paying more than $11,000 a year ($5.50 an hour) in order to be even slightly better off with a job than on welfare. Even if she could be guaranteed a job with medical coverage paying $14,000 a year ($7.00 an hour), her annual after-tax income would increase just $2,500 — in exchange for working 2,000 hours during the course of the year. If work is to pay as well as welfare, the AFDC mother must make a very large increase in labor for very little financial reward.

Information on this page was provided by Robert Rector, policy analyst for social, welfare, and family issues at The Heritage Foundation. For more information, contact The Heritage Foundation, 214 Massachusetts Avenue NE, Washington, DC 20002, phone 202/546-4400.

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RESEARCH REPORT

Summaries of Research on State and Local Public Policy

BUDGET

Tax Shifting is not Tax Relief. Legislators seeking taxpayer approval of tax increases often promise — but rarely deliver — property tax relief. *Example*: In 1982 the Wisconsin state sales tax was increased temporarily to 5 percent to address a state budget deficit. The tax bill specified that the tax would revert to 4 percent unless voters approved making the increase permanent. Dollar-for-dollar property tax relief was promised. But in January 1983, the law was changed to bypass voter approval, make the 5 percent sales tax permanent, and cancel half a billion dollars in scheduled property tax credits. Wisconsin Rep. David Prosser, "Consumer Alert: 'Fair Tax' Amendment," *Special Report 3*, August 1992. Contact Citizens Against Tax Shifting, P.O. Box 804, Madison, WI 53701-0804; phone 608/284-0229.

Government Policies Increase Disability Claims. U.S. policy makers should learn from the experience of the Netherlands, whose disabled population has exploded since the 1970s. In 1970, for every 1,000 workers aged 15 to 44 in the Netherlands, 14 received disability transfer payments. By 1980, that number had increased by 250 percent. *The root cause*: "The Dutch disability system's mix of generous transfer payments and broad eligibility criteria are directly responsible for the rise in disability labelling in the Netherlands." Leo Aarts, Richard V. Burkhauser, and Philip de Jong, "The Dutch Disease: Lessons for U.S. Disability Policy," *Regulation*, Cato Institute, Spring 1992.

State Legislators Should Demand Accountability from Washington. Federal government grants-in-aid and mandates force state and local governments to spend much more than necessary on everything from medical care to welfare to road building. As much as 25 percent of state budgets now comes from the federal government, and up to 60 percent of some state budgets is spent on joint federal-state programs. Andrew J. Cowin, "How Washington Boosts State and Local Budget Deficits," *Backgrounder No. 908*, The Heritage Foundation, July 31, 1992.

Excessive Spending Behind City Budget Crises. "Rising city revenues, escalating unit costs, and neglected strategies for cost savings demonstrate that the fiscal problem of the cities is costs, not revenues. *Facts*: Between 1980 and 1990, overall city revenues increased 22 percent after adjusting for inflation and population. For every $1.00 of federal funding lost to cutbacks, cities gained $3.57 in state and local funding. Wendell Cox and Samuel A. Brunelli, "The Untold Story: The Rapid Growth in City Revenues," *The State Factor*, American Legislative Exchange Council, August 1992.

CIVIL RIGHTS

Affirmative Discrimination. "Affirmative action has from the outset been problematic, since it mandates discrimination. The only rationale for such a policy in a society that endorses the ideal of equality is that it is a necessary evil, designed to counteract other evils. . . . Yet when a necessary evil becomes twisted around into a positive good in its own right, there is no end to the wrongs that follow." Ward Parks, "Anti-Male Discrimination in the Profession," *Heterodoxy*, June 1992. Contact the Center for the Study of Popular Culture, 12400 Ventura Boulevard #304, Studio City, CA 91604; phone 916/265-9306.

Government the Source of Discrimination. From requirements that forced private railroads to practice racial segregation, to zoning, collective bargaining, the minimum wage, and other laws, government is behind much of the race, gender, and age discrimination that takes place in the U.S. Writes Jim Powell in a review for *Laissez Faire Books*, "Antidiscrimination laws are making life more difficult for all of us, so it's important that you understand the complex issues. Epstein, at the peak of his career, has done a tremendous job defending freedom of contract." Richard A. Epstein, *Forbidden Grounds: The Case Against Employment Discrimination Laws* (Cambridge, MA: Harvard University Press, 1992). Publisher's price $39.95; available for $24.95 from Laissez Faire Books, phone 800/326-0996.

ECONOMY

How Minorities Fared During the 1980s. In 1960, just 16.1 percent of employed blacks were working in white-collar occupations — a figure 30.5 percent lower than the percent of employed whites working in such occupations. By 1990, fully 43.6 percent of employed blacks were in white-collar jobs, and the "black-white difference" had fallen to just 14.5 percent. Charles Murray, "The Legacy of the '60s," *Network News & Views*, August 1992. Contact Educational Excellence Network, c/o Hudson Institute, P.O. Box 26-919, Indianapolis, IN 46226; phone 317/545-1000.

EDUCATION

Public/Private Partnerships in Education. School districts should explore the savings possible through public/private partnerships. *Models*: Eight Milwaukee public schools share a $350,000 mobile science lab, developed by a private nonprofit organization. Five Minnesota school districts formed a partnership with Mall of America to enable up to 500 youngsters to attend classes at a Blooming-

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ton shopping mall. Anna David, "Public-Private Partnerships: The Private Sector and Innovation in Education," *Policy Insight Number 142*, Reason Foundation, July 1992.

Paying Teachers for Performance. Student achievement is the only meaningful measure of teacher performance, and thus should directly determine teacher pay. Raises should be tied to what a given class learns in a given year, above an agreed baseline and adjusted for student aptitude. John Kaufman, "True Pay-for-Performance is Vital to School Reform," *Independence Issue Paper No. 13-92*, Independence Institute, July 24, 1992.

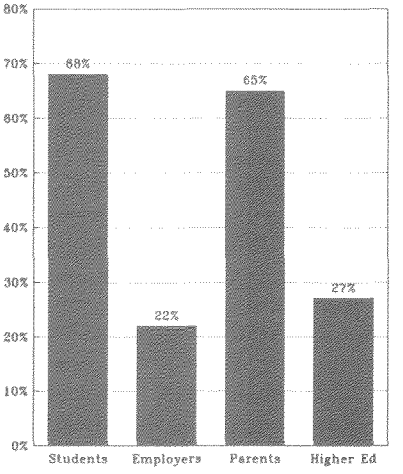
Vouchers Would Save Taxpayers Money. Subtracting transportation and special education funds, it costs approximately $4,775 to educate a student in Chicago's public schools. If students instead were given a $1,000 voucher to attend a private school (where the average per-pupil cost is $1,964), and if 10 percent of the total public schools enrollment (42,000 students) were to accept the voucher, taxpayers would save more than $140 million. Even if the program were extended to provide vouchers to every student currently enrolled in a private school, taxpayers would save more than $34 million. Robert Genetski, "Private Schools, Public Savings," *The Wall Street Journal*, July 8, 1992.

Charter School Movement. The nation's first "charter school" — a publicly funded school started by teachers and substantially free of direct administrative control by government — may open in Minnesota in 1992. School reform proponents in nine other states are proposing to allow teachers to open similar schools. David W. Kirkpatrick, "Charter Schools: A Promising Reform," *Issue Brief*, The Commonwealth Foundation, June 1992.

Private Vouchers Spread. J. Patrick Rooney, chairman of Golden Rule Insurance Company, got tired of waiting for the Indiana legislature to pass meaningful school reform, so he started his own private voucher program for low-income students in Indianapolis. Now businesses and foundations in several cities are following his lead. J. Patrick Rooney, "Breaking the Rules for Business Support of Education," *The Heritage Lectures*, The Heritage Foundation, April 15, 1992.

Breaking the Mold of Public Education? "Don't look for religious schools to be part of Education Secretary Lamar Alexander's plan for New American Schools that break the mold. The New American Schools Development Corporation (NASDC) originally planned to allow religious communities to participate in designing schools for the 21st century. But when NASDC announced 11 winners of the design competition on July 9, no religious schools qualified. Of the nearly 700 entries, the 11 winners appear like a mix of public school veterans and Fortune 500 entrepreneurs." "On the Horizon," *Washington Watch*, August 1992, Family Research Council.

Who Thinks Students Are Good at Math?



Harris survey cited by Chester E. Finn, Jr., "Our Schools and Our Future," Center of the American Experiment.

Private Vouchers in Milwaukee. Partners Advancing Educational Choice (PAVE) and The Lynde and Harry Bradley Foundation have formed the Partnership for Educational Choice (PEC), designed to help economically disadvantaged children obtain a private education by paying up to $1,000 per student. The Bradley Foundation has committed $1.5 million to the project over three years. "Private Voucher Plan for Milwaukee," *Business/Education Insider*, The Heritage Foundation, June/July 1992. (For more information about PEC, contact Daniel McKinley of PAVE at 414/747-1580 or Dan Schmidt of the Bradley Foundation at 414/291-9915.)

Los Angeles Teacher Urges Flexibility, Not Bureaucracy. "We must break the organizational mold in which we are trapped and create a flexible school system that responds to a diverse student population." *Flexibility enhancers*: alternative certification, performance incentives, and elimination of tenure for teachers; cut school bureaucracies; decentralize schools and infuse choice into the system. Furman Brown, "The failure of yesterday's solutions," *State Government News*, August 1992. Contact The Council of State Governments, Iron Works Pike, P.O. Box 11910, Lexington, KY 40578-1910; phone 606/231-1858.

More Private Tuition Vouchers. The Texas Public Policy Foundation announced in April the formation of the CEO Foundation, which has received applications from over 2,000 students. When school opened in August, more than 850 qualified, low-income, elementary and junior high students had exercised educational choice and selected a school from among a list of 89 private schools in San Antonio. Similar programs also are underway in Indianapolis, Indiana and Milwaukee, Wisconsin. *TPPF Report*, Texas Public Policy Foundation, Summer 1992.

Education Expenses Should Be Tax Deductible. Because investments in education confer private benefits, the IRS has ruled against their deductibility from federal income taxes. But church membership dues and the purchase of energy-saving technology also confer private benefits — and these expenditures are tax deductible. Moreover, expenditures for education confer *public* benefits — which is why everyone is forced to pay education taxes in the first place. Education expenses "clearly and fully satisfy the ordinary requirements for income tax deductibility." Daniel D. McGarry, "Expenditures for Basic Education Should Be Deductible in Calculating Taxable Income," Educational Freedom Foundation, July 1992.

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Research Report

Bush Gambles With GI Bill for Kids. President Bush's "GI Bill for Kids" is "a bold and imaginative proposal to expand educational choice in America." However, "it easily could lead to onerous federal regulation of private schools and increased federal funding for public schools." Bush must "fight harder for the GI Bill than he has fought so far" to win passage of a program that private schools will be willing to accept. Allyson Tucker, "Assessing Bush's School Voucher Plan," *Executive Memorandum*, The Heritage Foundation, June 20, 1992.

State Legislators Endorse GI Bill for Kids. At its annual meeting in Colorado Springs, the Education Task Force of the American Legislative Exchange Council (ALEC) endorsed the Bush Administration's "State and Local GI Bill for Children." With 2,400 members nationwide, ALEC is the nation's largest bipartisan, voluntary membership organization of state legislators. "Resolution of the Education Task Force," American Legislative Exchange Council, August 7, 1992.

Bold Attempt to Revitalize American Education. Whittle Communications, Time Warner Inc., and others have committed $60 million to the Edison Project, a plan "to design completely new schools, run them at lower cost than public schools, charge a moderate tuition and make substantial profits. The project's ultimate goal is to serve as a model for major structural change in American public education." "Building West Berlin in American Education," *HKCER Letters*, July 1992. Contact the Hong Kong Centre for Economic Research, The Chinese University of Hong Kong, Shatin, N.T.; phone 852/603-6424.

ENVIRONMENT

Plastic Beats Paper Every Time. Excavations of dumps and landfills between 1985 and 1989 reveal that no more than one-third of one percent of a landfill's contents consists of fast-food packaging; less than one percent consists of polystyrene foam of all kinds. Not only does paper account for the largest part of most landfills, but production of a paper cup consumes 12 times as much steam and 36 times

Sports Stadiums

The Trouble With Tigernomics

By Harold Hotelling

DETROIT, MICHIGAN — A new Tiger stadium is an exciting idea, but in our excitement we shouldn't forget to ask important questions about who's paying what, and whether it's really worth it.

The big issue is whether to use tax dollars for a new stadium. We're hearing two arguments in favor of the idea. One is the "spin-off" theory: Build a stadium, and business will thrive, urban decay will be held back, and unemployment will fall. The other is the "this-won't-hurt" theory: It will be just a little tax , and we'll get the out-of-town folks to pay and help buy our stadium for us.

The spinoff theory has been around a long time, and it's shaky at best. Part of the problem is how to measure spinoff benefits. For example, a dollar spent in a restaurant near the new stadium isn't a whole dollar of benefit within Wayne County; much of the dollar goes out of the county to restaurant supply firms, truckers, and others.

A more serious objection also arises with the spinoff theory: The dollar spent at a new stadium or new business is likely to be taken away from one of the county's other leisure businesses, such as restaurants at Greenfield Village or Belle Isle. *Diversion is not growth.*

What about the taxes? The county says that "Detroit-area hotel room rates are below those of much of the rest of the country and should be able to absorb a [hotel-motel] tax increase without a significant loss of business."

But Detroit room rates are low because there isn't a lot of demand for conventions to meet here. Our occupancy rate is the lowest of the twenty-five largest U.S. markets. Raising room fees with a tax would take away hotel owners' last tool for luring people here. No wonder they are ferocious in their opposition. The tax *will* fall partly on out-of-town hotel guests — the ones who still come — but it will fall most heavily on hotel owners and employees right here.

It's always tempting to use a special tax when you have an idea for a new government spending program. You can try a sin tax, or maybe a tiny, dedicated, half-cent sales tax. But you can't fool Mother Nature: She says there's no such thing as a free lunch. Tax money spent on a stadium is taken out of the roads, the police force, and medical care, just as surely as if you chopped the budget.

> **Stadiums are not likely to be the best use of taxpayers' money.**

The Tigers say they are losing money, need a new stadium, and can't build one themselves. Player salaries may have pushed the Tigers into financial trouble, but when we look at the hundreds of millions of dollars' worth of tax subsidies to sports teams, whether through stadium construction or tax abatements, we can see where some of the inflation comes from.

So don't tell us a new stadium would be fun; we already know it would be. Tell us it's the best use of the money, and look straight at the other uses when you tell us.

# # #

Harold Hotelling, J.D., Ph.D., is associate professor of economics at Lawrence Technological University.

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as much electricity, and produces 580 times the volume of waste water, as does production of a polyfoam cup. William Rathje and Cullen Murphy, *Rubbish: The Archaeology of Garbage* (New York, NY: HarperCollins, 1992).

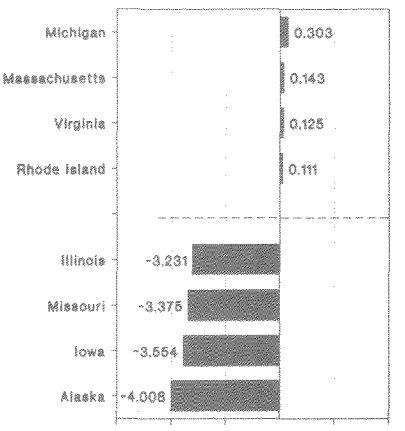
Global Warming Hysteria A Product of Politics, Computers. Environmental lobbying groups intent on self-perpetuation, and scientists enamored of supercomputer climate modelling techniques, are key forces behind the push to "do something" about global warming. Richard S. Lindzen, "Global Warming: The Origin and Nature of the Alleged Scientific Consensus," *Regulation*, Cato Institute, Spring 1992.

Improved Ecosystem Requires Worldwide Economic Growth. "Only by freeing everyone from dependence on archaic, wasteful technologies can we free the environment from the worst of mankind's depredations." *Needed*: investments in nonpolluting energy alternatives, agriculture and forestry technologies that would allow Third World people to produce more on less land, and liberalized worldwide agricultural trade. Dennis T. Avery, "Poverty Won't Save the Planet," *Hudson Briefing Paper Number 142*, July 1992. Contact the Hudson Institute, P.O. Box 26-919, Indianapolis, IN 46226; phone 317/545-1000.

Anti-Technology Proposals Endanger Biodiversity. Technology "freeze" proposals made at the Earth Summit would reduce incentives for research and development of new technologies that could help humans meet their needs with less land. But had technology been frozen at 1910 levels, in 1988 it would have taken 1,222 million acres — more than 54 percent of total U.S. land area including Alaska — to meet our domestic and export needs. In fact, however, it required only 297 million acres. Indur Goklany and Merritt Sprague, "Sustaining Development and Biodiversity: Productivity, Efficiency, and Conservation," *Policy Analysis #175*, Cato Institute, August 6, 1992.

Whales Saved by Capitalism. The American whaling industry began a steady decline in the 1850s — not because of environmentalists or legislators, but because of technology. Kerosene replaced whale oil for lamps; spring steel replaced whalebone in women's fashions; whalebone buggy whips no longer were needed once the automobile replaced horse-drawn carriages. James S. Robbins, "How Capitalism Saved the Whales," *The Freeman*, The Foundation for Economic Education, August 1992.

Change in Percent of Manufacturing Workforce Unionized (1984 to 1989)



Grant Thornton Manufacturing Climates Survey, 1990

GOVERNMENT

Statehood for D.C. Promoters of D.C. statehood complain that the District's 607,000 residents currently have no voting representation in Congress. But do they need it? *Consider*: Federal spending in D.C. reaches $2,831 per capita, compared to a national average of just $533 per capita. The federal government contributes $52 million a year to a D.C. government retirement fund, and another $630 million annually to make up for property tax revenue denied D.C. because federal properties are tax exempt. D.C. residents enjoy $5 in federal tax benefits for every dollar they pay in federal taxes. "A New Welfare State?" *Dollars & Sense*, National Taxpayers Union, July/August 1992.

How Often Does Government Do a Good Job? More than three out of four registered voters surveyed during the five-day DuPage (Illinois) County Fair said the government does a good job once in a while or never. Fewer than 8 percent said the government does a good job always or most of the time. "DuPage Libertarians Outreach at DuPage County Fair," *Illinois Libertarian*, August 1992. Contact Libertarian Party of Illinois, P.O. Box 313, Chicago, IL 60690.

Term Limits Needed. Deeply entrenched incumbent legislators have made politics a lucrative, lifetime career — at the expense of taxpayers and voters. *Examples*: Senior members of the Illinois House of Representatives have a pro-tax score of 2.20 (out of a possible 3.0); junior members score just 1.43. Seventy-seven percent of the senior members voted in favor of a measure to increase their own pay; only 44 percent of junior members supported the measure. James L. Payne and Michael Jerbich, "Curbing the Governmental Class: How Term Limits Can Restore a Citizen Legislature in Illinois," *Heartland Policy Study No. 51*, The Heartland Institute, September 18, 1992.

Policy Making by Citizen Initiatives. All 23 states that allow citizen initiative and referendum procedures employ signature-gathering as a trigger to begin the process. *Tough requirements*: In Illinois, petitioners must gather signatures equal to 10 percent of the state's registered voters — 603,116, based on 1990 voter registration figures. A statutory initiative has never qualified for the ballot in Illinois. "Initiative Petitions," *Initiative & Referendum Analysis*, Public Affairs Research Institute of New Jersey, June 1992.

HEALTH CARE

Canadian Health Care No Model for U.S. The adoption of a Canadian-style health care system will not lower U.S. health care costs. *Fact*: A fair comparison of U.S. and Canadian health care spending — including capital costs, health benefits, investment in research, and the age mix of the population — finds that Canada spends 10.6 percent of its GNP on health care, while the U.S. spends 11.1 percent. Canadians' access to health care is limited by rationing, waiting periods,

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and the lack of up-to-date medical technology. Jacques Krasny, "Searching for Solutions to the Health Care Crisis," *Backgrounder No. 4*, The James Madison Institute, 1991.

Mandates Increase Health Care Costs. Laws that force insurance companies to cover certain illnesses and disabilities increase the cost of health insurance to all consumers. Mandated benefits for substance abuse, for example, increase premiums by 6 to 8 percent; for outpatient mental services, 10 to 13 percent; for psychiatric care, up to 21 percent. "Talking Points on the Economy: Health Care #6," The National Center for Public Policy Research, March 31, 1992.

Doctors Not to Blame for Health Care Inflation. Physician incomes, while still high, nevertheless have *declined* relative to the incomes of other Americans in the past 30 years. In 1962, physicians made on average 11.6 times the U.S. per-capita income. By 1987, that ratio had dropped to 9.1. Historically, physicians have accounted for 1/4 of total health care costs. Today they account for 1/5. "Talking Points on the Economy: Health Care #7," The National Center for Public Policy Research, March 31, 1992.

Congress Exempts Itself. Members of Congress have made sure to keep themselves several steps ahead of socialized medicine. Among the bills that would exempt Congress and federal government employees are The Health America Act (S 1227); The Pepper Commission Health Care Access and Reform Act (HR 2535 and S 1177); the U.S. Health Program Act (HR 3535); and The Health Insurance and Cost Containment Act (HR 3205). "Talking Points on the Economy: Health Care #8," The National Center for Public Policy Research, April 28, 1992.

HIGHER EDUCATION

Political Correctness Backfires. "In the name of multiculturalism, social justice, and diversity, we are left with just the opposite: rigid conformity." The "politics of consensus" — not wide-ranging tolerance of diverse viewpoints — is what political correctness is all about. "The Narrowing of the Academic Mind," *Hillsdale Magazine*, Hillsdale College, Summer 1992.

Higher Education Merits Tough Criticism. "A $155-billion-a-year enterprise is a proper object for close scrutiny, straight talk, and consumer advocacy," writes former Secretary of Education William Bennett. Bennett says university leaders "caved in" to student demands, trendiness, and politics with devasting results for a generation of college students. *The Devaluing of America: The Fight for Our Culture and Our Children* (New York, NY: Summit Books, 1992).

LAW

Handy Guide to State Traffic Laws Published. State transportation agencies and other sources were surveyed to compile this guide to speed limits, insurance requirements, traffic ticket payment rules, and other regulations encountered by the inter-

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state traveler. "Motorists Guide to State Traffic Laws," 1992. Contact the National Motorists Association, 6678 Pertzborn Road, Dane, WI 53529; phone 608/849-6000.

Private Property Gains Protection After Lucas. In a splintered decision, the U.S. Supreme Court ruled in *Lucas v. South Carolina Coastal Council* that a total regulatory taking of private property must be compensated under the Takings Clause of the Fifth Amendment unless the government can demonstrate that the desired use of the property would constitute a public nuisance under common law. The long-awaited decision imposes new limits on the takings powers of government agencies but disappointed many property rights defenders who sought even stricter limits. "Supreme Court Rules That Environmental Restrictions on Private Property Constitute Compensable Takings," *Litigation Update*, Washington Legal Foundation, June 30, 1992.

Alternative Dispute Resolution Ends "Litigation Lunacy." To divert the claims of victims of the October 1989 San Francisco earthquake away from a heavily burdened court system, the California Attorney General established an emergency claims settlement program that officially concluded on January 8, 1992. Only two of the 335 qualified claims against the state have resulted in litigation; the remaining 333 were settled outside the courtroom. The plan achieved fair compensation for the earthquake's victims and saved the state millions of dollars in litigation costs. Daniel E. Lungren, "California's Innovative Dispute Settlement Plan is a Model for American Legal Reform," *Legal Opinion Letter*, Washington Legal Foundation, July 24, 1992.

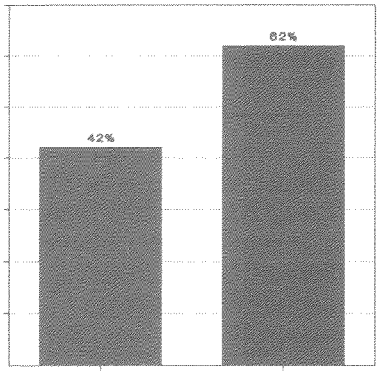
The Hidden Agenda of Gun Control Advocates. Handgun Control, Inc. — portrayed by the media as a "reasonable" group seeking "minor" gun control laws — in fact seeks to "make possession of *all* handguns and *all* handgun ammunition — except for the military, policemen, licensed security guards, licensed sporting clubs, and licensed gun collectors — totally illegal." "Chafee Bill Demonstrates HCI's True Goal," *The Gun Owners*, July/August 1992. Contact Gun Owners of America, 8001 Forbes Place #102, Springfield, VA 22151.

PRIVATIZATION

National Privatization Clearinghouse Established. The Reason Foundation announced in August the opening of its Privatization Center, staffed by privatization policy experts and equipped with one of the largest libraries of privatization data in the nation. "The center is designed to help public officials determine their options, set strategy, and implement programs related to privatization." For more information, call the Center's **Privatization Hotline, 310/391-6525.**

Kazakh Privatization Efforts. An official of the State Property Committee of the Kazakh Supreme Soviet reports that by June 1, some 2,426 facilities were "privatized": 1,498 became "collective property," 541 were completely privatized, 107 became joint stock companies, and 72 were leased. "Privatization Monitor," *Perspectives*, August 10, 1992. Contact International Freedom Foundation, 200 G Street NE, Washington, DC 20002; phone 202/546-5788.

Lawyers as Percent of U.S. Representatives and Senators



Ed Rubenstein, National Review, November 4, 1991

Volunteer Law Enforcement Officers. More than 250,000 volunteer law enforcement officers — members of police "reserves" or "auxiliaries" — assist municipal, county, and state police forces across the country. (There are 488,000 full-time policemen nationwide.) Reservists are uniformed, highly trained, and often armed *volunteers* — an efficient force for high-quality, low-cost law enforcement. John Carlisle, "Volunteer Cops: The New Minutemen," *Policy Insights No. 407*, Free Congress Research and Education Foundation, August 1992.

Argentina Privatizes State-Owned Electric Company. On July 30 the Argentine government announced the sale of 51 percent of its shares in the state-owned electric company for $2 billion in cash and debt reduction. Later this year, 39 percent of the remaining shares will be sold to the public, and the last 10 percent will be turned over to company employees. *The Government Union Critique*, August 7, 1992. Contact the Public Service Research Foundation, 1761 Business Center Drive, Suite 230, Reston, VA 22090; phone 703/438-3966.

Czechs Set Privatization Goals. Czech prime minister Vaclav Klaus has set a target of privatizing *90 percent* of the country's economy. In early 1992, 6.5 million Czechs purchased vouchers for the mass privatization of 1,500 state enterprises. *Prediction*: "After the dissolution of [Czechoslovakia], the two republics will diverge very quickly with the Czech lands evolving into a Western-oriented, mini economic dynamo of central Europe with political stability and an attractive climate for foreign investment. Slovakia, however, will slide further back into obscurity as an eastward-looking, stagnating state-run economic backwater into which few foreign investors will wish to venture." "After Czechoslovakia: Renaissance in Bohemia; Dark Age in Slovakia," *Opportunities Briefing No. 14*, July/August 1992. Contact International Freedom Foundation, Chesham House #500, 150 Regent Street, London, England W1R 5FA; phone 0602-240170.

Russia Speeds Up Privatization Efforts. On July 1, Russian President Boris Yeltsin signed a decree designed to accelerate privatization of most state enterprises. The goal is to convert firms into shareholding companies by October 1992. An official of the Moscow Statistical Office reports that

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146,000 apartments were privatized in the first half of 1992; the figure for the first half of 1991 was 553. "Privatization Monitor," *Perspectives*, August 10, 1992. Contact the International Freedom Foundation, 200 G Street NE, Washington, DC 20002; phone 202/546-5788.

British Privatization Statistics. The sale of government assets earned the British Treasury $41 billion between 1980-81 and 1991-92. During that time there were 46 large privatizations and dozens of smaller ones. Nationalized industries dropped from 9 percent of GDP in 1979 to just 3 percent in 1990. Gas, electricity, water, telecommunications, and airways all have been transferred to the private sector, along with nearly a million jobs. "Privatization: Whatever Next," *The Economist*, July 11, 1992.

REGULATION

Cost of Federal Regulation On the Rise. The total cost of federal regulation was about $400 billion in 1990 — roughly $4,000 per household. The cost of federal environmental regulations has doubled since 1977 and will continue to rise; the cost of other federal social regulation increased slowly since 1977 but will increase more rapidly through 2000. *Bright side*: In the area of economic regulation, costs have fallen by about 50 percent since 1977. William A. Niskanen, "The Costs of Regulation (continued)," *Regulation*, Cato Institute, Spring 1992.

Court Limits States' Power to Regulate. The U.S. Supreme Court ruled in *Gade v. National Solid Wastes Management Association* (June 1992) that states may not superimpose workplace safety and health requirements on top of existing OSHA regulations. The Court held that OSHA preempts state laws even when such laws are primarily intended to promote public safety rather than workplace safety and health. "High Court Limits State Regulation of Workplace Safety and Health," *Litigation Update*, Washington Legal Foundation, June 23, 1992.

Insurance Solvency Regulation Should Be Left to States. Recent insurance company insolvencies have

Health Care

A Better Way to Control Health Care Spending

By Joseph L. Bast

MILWAUKEE, WISCONSIN — The health insurance bill recently signed into law by Governor Thompson contained provisions, opposed by the Governor, that are likely to inflate the cost of health care in Wisconsin. Ironically, the legislators who put those provisions into the bill thought they would *slow* the growth of health spending!

The provisions require that hospitals obtain a certificate of need (CON) from the state before investing more than $1 million in building projects, spending $500,000 on new equipment, or providing new services expected to increase income by more than $500,000 a year.

Empirical studies have concluded that, while slowing growth in the number of hospital beds in a community, CON requirements have no measurable effect on total hospital expenditures.

This seemingly paradoxical finding is the result of two unintended consequences of government-imposed spending and price controls: diminished competition among hospitals, and offsetting increases in operating costs.

By restricting entry into the hospital industry and tying the hands of the most innovative and competitive hospitals, CON regulations protect inefficiency and waste. And, by forcing hospitals to invest in labor instead of capital — even when capital would be the more efficient way to deliver a new service — the regulations increase operating costs and fuel the health care inflation spiral.

Attempting to solve Wisconsin's health care spending and access problems by beating up its hospital administrators may be good politics, but it is lousy public policy. Hospitals are not the "bad guys" in America's health care system, any more than are insurance companies, doctors, lawyers, or drug companies.

Simple-minded solutions like regulating hospital charges or adopting the "Canadian model" are not solutions at all. They promise cost control, yet they remove what little incentive health care consumers now have to be smart shoppers. Such plans move us further from, not closer to, a genuine solution.

The best reform proposal now on the table is **Medical Savings Accounts** (MSAs), which would enable people to open tax-free savings accounts, like IRAs, to self-insure against small medical expenses. Combined with such other measures as tort law reform, repeal of pricing and spending controls, and repeal of health insurance mandates, MSAs would reduce spending on health care by as much as 25 percent. Lower prices for insurance and treatment would make health care available to millions of people who are now priced out of the marketplace.

As importantly, Medical Savings Accounts would free health care consumers and providers from the vast and growing array of government regulations that increasingly stand between doctors and their patients. Putting patients back in charge of their own health care is essential for health care spending control . . . and only Medical Savings Accounts can achieve this goal.

# # #

Joseph L. Bast, president of The Heartland Institute, is coauthor of ***Why We Spend Too Much on Health Care*** *(The Heartland Institute, 1992).*

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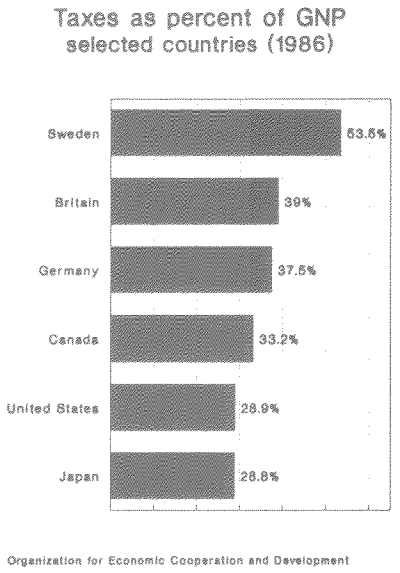
led some observers to suggest federal solvency regulation. But given political pressures that affect Congress — and thus would affect federal regulators — it is unlikely that federal regulation would be more efficient or effective than state regulation. Scott E. Harrington, "Policyholder Runs, Life Insurance Company Failures, and Insurance Solvency Regulation," *Regulation*, Cato Institute, Spring 1992.

Free Small Business from Government Interference. Small businesses have been the source of virtually all new jobs created in the U.S. during the past decade. But government interference "threatens the prosperity of small businesses and therefore the economic future of the whole country." *Especially harmful*: high taxes, high interest rates, and high insurance costs — all the result of government meddling in business and the economy. "Freeing the New America," *Hillsdale Magazine*, Hillsdale College, Fall 1991.

Keeping Pace with Technology. "As innovations in fiber and compression technologies continue to improve the capacity of wireline facilities, the only remaining barriers to open competition between cable and telephone companies will be legal and regulatory hurdles." Policymakers and regulators must be aware of evolving technology, so that regulations they develop do not interfere with the growth video and information services. "Regulators and policymakers must meld their concerns into a flexible regulatory model that will allow U.S. industry to compete effectively in the global marketplaces." Andrew Barrett, "Advancing the Cable-Telephone Company Debate," *Regulation*, Cato Institute, Spring 1992.

Anti-Dumping Laws Hurt Business, Consumers. Originally intended to protect American businesses against "predatory pricing" by foreign firms, anti-dumping laws today hurt American businesses and American consumers. Consumers must pay artificially higher prices for both imported and domestic goods; businesses must pay more for imported component parts; workers find fewer employment opportunities in less competitive American firms. Bryan T. Johnston, "A Guide to Anti-Dumping Laws: America's Unfair Trade Practice," *Backgrounder No. 906*, The Heritage Foundation, July 21, 1992.

How to Control Auto Insurance Rate Inflation. Regulation has done more harm than good in maintaining availability, affordability, and solvency in the auto insurance market. *Better*: Cutting inflation in insurance claim costs, especially by legal system reform and cooperative efforts among insurers to halt insurance fraud. J. David Cummins and Mary A. Weiss, "Regulation and the Automobile Insurance Crisis," *Regulation*, Cato Institute, Spring 1992.



TAXES

How to Kill a Flat-Rate Income Tax. Illinois has a constitutionally mandated flat-rate income tax, a tax structure many economists praise for being pro-economic growth. But that state's self-labeled "taxpayer watchdog" organization is campaigning for *higher tax rates* overall and new low- and middle-income tax exemptions to make the tax structure more "progressive." Somebody needs an economics lesson!

Taxpayer's Action Day Scheduled. On October 17, tens of thousands of Americans will gather at rallies nationwide for the third annual Taxpayer's Action Day. Participants will call for the elimination of wasteful spending, government mismanagement, and high taxes. Contact the Council for Citizens Against Government Waste, 1301 Connecticut Avenue NW, Suite 400, Washington, DC 20036; phone 1-800-BE-ANGRY or 202/467-5302.

Politicians Pledge to Oppose Income Tax Increases. Twenty-one incumbent members of the U.S. Senate and 108 incumbent members of the U.S. House have signed the Taxpayers Protection Pledge, agreeing to oppose any increase in marginal income tax rates or cuts in tax deductions and credits. Challengers also have been asked to pledge: To date, 30 Senate challengers and 273 House challengers have done so. For a list of pledge-takers, contact Americans for Tax Reform, 1301 Connecticut Avenue NW, Suite 444, Washington, DC 20036; phone 202/785-0266.

Taxes Increase the Cost of Everything. Federal and state income taxes, payroll taxes, and sales taxes dramatically raise the "true" price of a product. *Examples*: To buy a $10,000 car, the typical worker must earn roughly $17,000. To pay college tuition of $8,000, the worker must earn over $13,000. And to buy a year's worth of gasoline — about $479 before taxes — the worker must earn $1,065. George Nastas and Stephen Moore, "How Much Tax Do You Really Pay?" *Consumers' Research*, Consumers' Research Inc., August 1992.

WELFARE

How to Encourage Work. Currently 4.8 million families receive AFDC benefits, and 3 million of these will depend on cash welfare for eight or more years. Only 3 percent of female-headed families in the bottom fifth of the income distribution have a year-round, full-time worker. To encourage mothers on welfare to work, the authors urge a limit on the duration of welfare benefits, public jobs, and government-guaranteed child support. E. Clay Shaw, Nancy Johnson, and Fred Grandy, "Moving Ahead: How America Can Reduce Poverty Through Work," Hu-

(Continued on Page 26)

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Taxes

Repeal the Mystery Tax

By Bradley J. Furnish

KANSAS CITY, MISSOURI — Would you favor the enactment of a tax without knowing whether you would pay the tax or how much you would pay? Would you favor it if *nobody* knew who paid the tax? Brace yourself: We already have such a tax. It is called the corporate income tax, and it should be repealed immediately.

With predictable regularity, politicians and commentators call for *increases* in the corporate income tax. The calls usually are accompanied by pious declarations that business should "pay its fair share of taxes." That statement is absurd. *No business ever paid a tax, or ever will.*

Consider what happens when your income tax increases. As a result, you will probably spend less and save less — that is, your current and future consumption will fall. The loss in enjoyment you experience is your *payment* of the tax. The transfer of funds to the government is a mere accounting formality.

What if you could silently slip your hand into somebody else's pocket and remove enough money to cover the proceeds of the tax? You would still be "paying" the tax in the formal accounting sense, by remitting the proceeds of your theft to the government. But the other person, not you, suffers the diminished pleasure resulting from less current and future consumption. Therefore, the tax would really be paid by the person from whom you took the money.

Politicians often pretend that a corporation can be made to pay taxes, thereby preventing the burden from falling on people. But a business cannot truly pay a tax because a business cannot experience a loss of enjoyment. Only humans can feel such a loss. Therefore, only humans can pay taxes. The fact that the law treats a corporation *as though* it were a person does not make it one.

If business does not pay the corporate income tax, who does? The burden of the tax is borne by three groups of people: stockholders, consumers, and employees.

The immediate effect of the tax is to redistribute money from stockholders to the government, thereby lowering the rate of return on investment in the corporate sector. Perhaps some people believe that it is only fair that money be taken from "fat cat" stockholders. But this aspect of the tax affects a majority of Americans — not only those who own stocks directly, but also those whose pension plans invest in stocks. Very few of these people are rich.

The lowered return on investment means less money will be invested in producing goods and services. As supply falls, prices rise. Thus, part of the burden of the corporate income tax is borne by consumers, in the form of higher prices.

The lowered return on investment also discourages firms from purchasing plant, equipment, vehicles, and other capital goods. This reduces employee productivity, leading to lower wages.

There is no rationale for the corporate income tax in economics or in equity. Repealing the "mystery tax" would strike a blow for honesty as well as efficiency.

# # #

Bradley J. Furnish is Kansas City Executive Director of The Heartland Institute.

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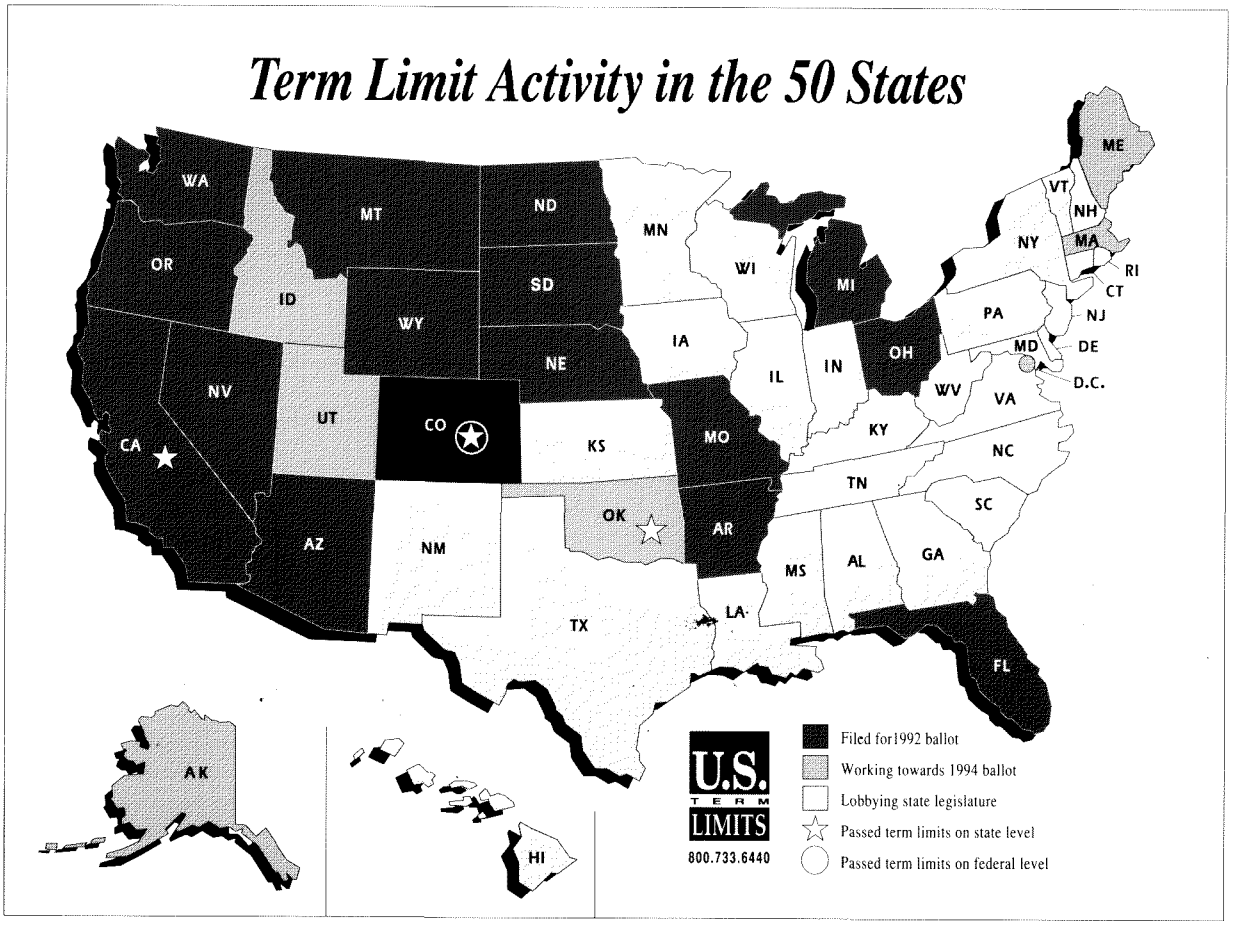

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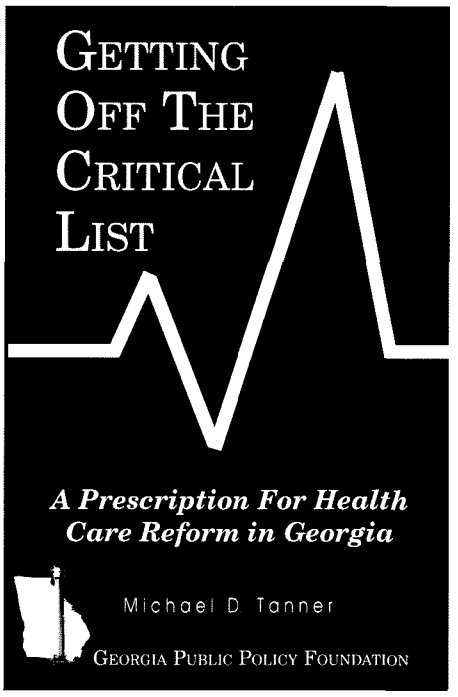
CAN STATE GOVERNMENTS REFORM HEALTH CARE?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Lotto's Weird Wizard Insults Taxpayers

By Eric-Charles Banfield

CHICAGO, ILLINOIS — The Illinois State Lottery's new "Wizard" commercial must rate as one of the strangest and most unsettling ads to be broadcast on television in many years. That the ad is produced by a government agency compounds the injury it inflicts on viewers and taxpayers.

In the ad, people use various materials to create a symbol that turns out to be a wizard's hat. The "artists" wander mindlessly in a field, carrying their artwork, until they come upon a cartoon wizard. One of the group asks, "Oh great Wizard, tell us why we're here." The Wizard replies, "Play Little Lotto." Another of the group, wearing a hypnotized stare, asks, "But why?" The Wizard responds, "The odds be with you."

The commercial makes me very uneasy. It depicts aimless masses of people asking someone else to justify their existence: You are here to play the government's game. It shows citizens blindly accepting nonsensical responses (from a two-dimensional cartoon!) to their questions — answers filled with rhetoric and diversion, devoid of direct responses to real issues.

The Wizard ad seems racist as well. When asked why the masses should play Little Lotto, the Wizard responds, "The odds be with you." That's *not* an answer to the question. . . or is it? I suspect the Wizard's ungrammatical response has a very specific purpose. He speaks the language of the inner-city black audience that is the Lottery's most profitable market. "The odds be with you" — urban black dialect understands this as "the odds *are* with you." It appears the Wizard is speaking clearly after all.

Clearly, yes . . . but still not accurately. The odds of winning a Lotto jackpot are approximately 12 million to one; the average payout rate on a state lottery is less than 50 cents on the dollar. By contrast, the odds of getting struck by lightning are approximately 2 million to one, and slot machines and horseracing have average payout rates of 80 cents on the dollar.

The Lottery justifies its low payout rates with yet another half-truth: the claim that money not paid to winners goes to the public schools. The fact is, for every Lotto dollar sent to the public school budget, a dollar of conventional state funding is removed. The authors of a 1991 study of state lotteries concluded: "We see, then, the deception inherent in the noble claim that lottery funds are 'helping education.' The funds are as much funding education as they are paying for legislative perks."

The State Lottery gets away with advertising practices that no private gambling operation would be permitted. Its payouts are lower than those achieved by every other gambling operation. And the scam is made possible by state laws that outlaw private lotteries in the name of protecting the public!

The deception practiced by the Illinois State Lottery is an insult to every taxpayer. Illinois citizens should boycott this game and demand that private firms be allowed to offer better-paying games of chance.

# # #

Eric-Charles Banfield is owner of Banfield Analytical Services, specializing in the analysis of national and state public policy issues.

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man Resources Subcommittee, Committee on Ways and Means, U.S. House of Representatives, June 1992.

Housing Vouchers Beat Tax Credits. Tax-credit financing has encouraged construction or renovation of more than 400,000 housing units since 1986. But the generous rate of return given to private-sector partners — an average annual return of 19.6 percent over the lifetime of the partnership — makes credits twice as expensive as housing vouchers. "Low-income Housing: Is There a Better Way?" *Business Week*, June 22, 1992.

Principles of Welfare Reform. One: Aim to change poverty-causing behavior, not just provide material comfort. Two: Don't subsidize low-income persons who neither need nor deserve government assistance. Three: Demand responsibility in exchange for aid. Four: Preserve and promote two-parent families. Five: Don't increase overall spending on welfare programs. Six: Recognize the contributions of the private sector and volunteer organizations and work with them. Dr. Charles E. Greenawalt II, "Approaches to State Welfare Reform in the 1990s," Commonwealth Foundation, June 1992.

Problems With Housing Tax Credits. The federal tax credit program for low-income housing triggers additional spending by HUD or some other housing agency equal to twice the tax cost of the program. Much of the housing subsidized by tax credits would have been built or renovated without tax breaks, and rent controls imposed on structures benefited by the program depress the supply of unsubsidized housing for low-income families. Carl F. Horowitz, "Time to Let the Low-Income Housing Tax Credit Program Expire," *Issue Bulletin*, The Heritage Foundation, June 25, 1992.

OTHER TOPICS

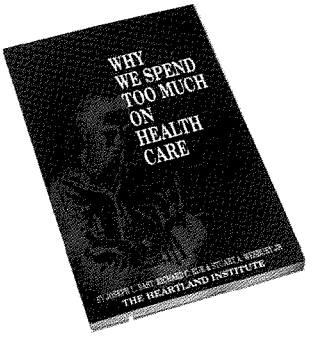
Members Need Not Contribute to Union's Partisan Activities. In an Executive Order issued in April, President Bush required all federal contractors to inform their employees of their "*Beck* rights" — a reference to a 1988 Supreme Court decision prohibiting unions from using members' dues to support partisan political activities. Unionists decried the Executive Order as an attempt to destroy the union movement; others see it as a defense of basic human rights for all American workers. Charles W. Baird, "The Permissible Uses of Forced Union Dues: From *Hanson* to *Beck*," *Policy Analysis No. 174*, Cato Institute, July 24, 1992.

Motorists Information On-Line. The National Motorists Association (NMA) has established a computer bulletin board for fast-breaking news of interest to motorists nationwide. NMA tracks state public policy issues of special interest to motorists: speed limits, seat belt laws, photo radar, and mandatory helmet laws, among others. Contact the National Motorists Association, 6678 Pertzborn Road, Dane, WI 53529; phone 800/882-2785.

An Agenda for State Government Officials. "The failure of government to address the critical problems we face is neither necessary nor acceptable." In 500+ pages, authors including John Chubb, Terry Moe, Edmund Haislmaier, John Goodman, Stephen Moore, and Robert W. Poole address critical state issues: education, crime, welfare, health care, taxes and spending, and "restoring integrity to government." Tex Lezar, editor, *Making Government Work*, The Texas Public Policy Foundation, 1992.

What Americans want, according to a new book by Wm. Van Dusen Wishard, is "a vision of a new stage of the American Experiment." Such a vision must move beyond material prosperity and success in foreign interventions to embrace "a new cultural climate and a collective sense of mission that encourages us to renew contact with the deepest parts of our inner sense." America, writes Mr. Wishard, "is at a point where a fundamental rethinking of the assumptions about freedom is needed — what it is, what makes it work, what ensures its continuance." Wm. Van Dusen Wishard, *The American Future*, Congressional Institute, Inc., 1992 (113 pages, paperback, $12.95).

Why We Spend Too Much On Health Care



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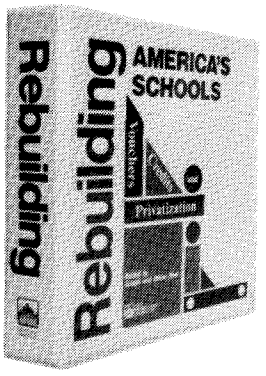

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Education

Learning Thrives at Westside Prep

By Thomas Hetland, FSC

CHICAGO, ILLINOIS — "Good morning, Westside Prep. This is Marva Collins speaking."

I was surprised. The school principal doesn't usually answer her own phone. But Westside Prep is not like most schools, and Marva Collins certainly is not like most principals.

After fourteen years in the Chicago Public Schools, Marva Collins still loved teaching, but she had grown to hate the system. "The longer I taught in the public school system, the more I came to think that schools were concerned with everything but teaching. I couldn't stand that."

She could no longer put up with teacher politics, bureaucracy, and a curriculum that changed with each passing fad. Her solution was to establish a school of her own, Westside Preparatory, in a neighborhood that most had abandoned, serving students from families that most had written off. She began with only four students, including her own daughter.

That was seventeen years ago, and in the wake of Chicago's well-advertised public school problems, it is genuinely inspiring to see how educational success can be achieved by one who refuses to worship at the altar of mainstream thought.

Some students begin with her at age three; others join along the way. But by the time they graduate from eighth grade most are able to read at the freshman college level. These students live next door to their public school friends who will graduate from high school and still not be able to read at the sixth-grade level.

What the Chicago Public Schools try to do with $5400 per student Collins does with $1500. That's education at a 70 percent discount, and apparently a more effective education at that.

The students do a great deal of reading and writing every day. Collins is quick to point out that John Stuart Mill had read all the classics by the time he was seven; why shouldn't our children be able to do the same? She long ago grew tired of the excuses that anticipate mediocrity from poor and minority children.

Half the students at Westside can't pay tuition. To Collins their desire for education is a far more important prerequisite. She is an educational entrepreneur whose bottom line is not money but student achievement.

One Marva Collins was able to emerge from the Chicago Public Schools on her own initiative. Many more like her almost certainly would emerge if our laws encouraged them to start their own schools. Think of the tremendous amount of good that would come about if *hundreds* of "Westside Preps" sprouted throughout the city!

Giving parents the right to direct their children and their tax dollars toward schools of choice would allow the miracle of Marva Collins to replicate itself in every neighborhood and for the benefit of us all. Why not give choice a chance?

# # #

Thomas Hetland, FSC, is Executive Director of the Center for Rebuilding America's Schools. From 1975 to 1990 he was a teacher and administrator at De La Salle High School on Chicago's near South Side. He has been a Christian Brother since 1965.

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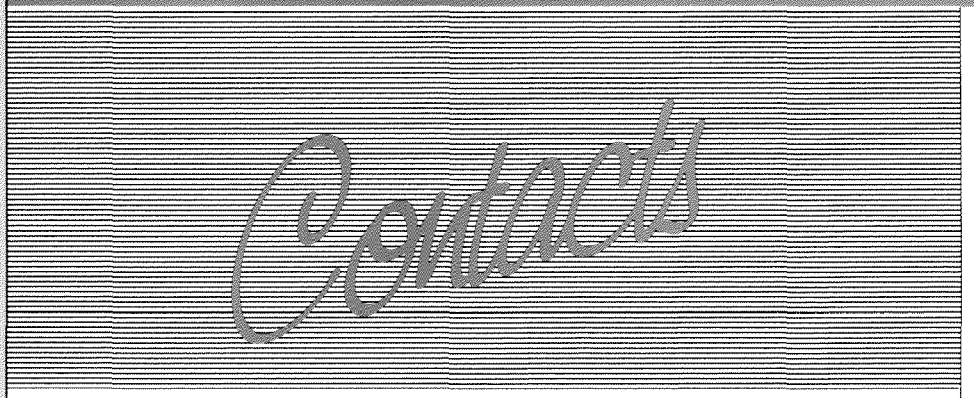

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The Foundation for Economic Education
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